

Message Text

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C O N F I D E N T I A L LA PAZ 5558

EXDIS

E.O. 11652: GDS

TAGS(PGOV BL

SUBJ: EVIDENCE THAT REVELATION OF ILLICIT LOAN TRANSACTION

PRECIPITATED CABINET "CRISIS"

REF: LA PAZ 5537

1. RELIABLE EMBASSY SOURCE IN FALANGE HAS INFORMED US THAT IMMEDIATE CAUSE OF CABINET CRISIS WAS REVELATION BY FONMIN MARIO GUTIERREZ AT SEPTEMBER 7 CABINET MEETING OF IRREGULAR NATURE OF \$225 MILLION LOAN ARRANGED BY FINANCE MINISTER BEDREGAL. GUTIRREZ STATEMENTS AT CABINET SESSION, APPARENTLY SUPPORTED BY AMPLE DOCUMENTATION INCLUDING TELEGRAM FROM AMBASSADOR VALENCIA IN WASHINGTON, GAVE RISE TO HEATED DEBATE WITH BEDREGAL, WHO WAS UNABLE TO PROVIDE CONVINCING DEFENSE OF LOAN NEGOTIATIONS. BANZER REPORTEDLY WAS TAKEN ABACK BY GUTIERREZ-BEDREGAL CONFRONTATION AND IMMEDIATELY CALLED IN HIGH COMMAND OF ARMED FORCES, WHILE DEMANDING PRO FORMA RESIGNATIONS OF ALL CABINET MEMBERS.

2. EMBASSY SOURCE INDICATED THAT BEDREGAL PREVIOUSLY HAD ASSURED BANZER THAT LOAN WOULD PROVIDE MEANS WHEREBY AT LEAST \$1 MILLION COULD BE CHanneled INTO BANZER ELECTION CAMPAIGN. HOWEVER, AT THAT TIME, BEDREGAL ASSURANCES INCLUDED STATEMENT THAT LOAN HAD BEEN ARRANGED THROUGH LEGITIMATE INTERNATIONAL LENDING INSTITUTIONS. (BANZER'S SHOCKED REACTION TO NATURE OF GUTIERREZ' REVELATIONS MUST HAVE BEEN FOR STAGE EFFECT BECAUSE EMBASSY WAS INFORMED SEPT. 6 (LA PAZ 5454) THAT BANZER HAD BEEN ADVISED OF CONTENTS
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OF AMBASSADOR VALENCIA'S TELEGRAM THAT DAY.) FALANGE ALSO HAS

EVIDENCE, PRESENTED AT SEPT. 7 CABINET MEETING, THAT BEDREGAL AND JULIO PRADO SALMON SOUGHT TO BENEFIT FINANCIALLY FROM THE PROPOSED LOAN ARRANGMENT.

3. COMMENT: OF SOME INTEREST IN THIS CONNECTION ARE FOLLOWING FACTS:

A. JULIO PRADO SALMON IS ONLY MNR CABGRET MEMBER CONFIRMED IN HIS JOB; AND B., ALTHOUGH BEDREGAL WAS REPLACED AS FINANCE MINISTER, HE WAS NOT REMOVED FROM THE FINANCIAL ARENA, BUT WAS GIVEN THE PRESIDENCY OF THE CENTRAL BANK, THE ENTITY PROVIDING THE GUARANTEE (AVAL) FOR THE ALLEGED CREDITS.

4. EMBASSY HAS OBTAINED CONFIRMATION THAT GUTIERREZ-BEDREGAL CONFRONTATION OVER LOAN FUNDS WAS CONTRIBUTING FACTOR (OR STRAW THAT BROKE CAMEL'S BACK) IN DECISION TO REARRANGE CABINET. IN OTHER WORDS, CABINET SHUFFLE WAS ALREADY BEING CONSIDERED FOR REASONS GIVEN IN PARAGRAPH 2 REFTEL.

5. EMBASSY ALSO INFORMED THAT PAZ ESTENSSORO WAS ABLE TO CONVINCE BANZER TO RETAIN PRADO SALMON BECAUSE LATTER WAS THE ONLY REAL PAZ ESTENSSORO IN THE OLD CABINET. ALL MNR MEMBERS OF NEW CABINET ARE REPORTEDLY PAZ ESTENSSORISTAS, A FACT CONFIRMED BY AD PLACED BY "JAIME OTERO CALDERON" CELL OF MNR IN SEPTEMBER 11 VESS TO PRAISE CONDUCT OF

EX-MINISTERS LEMA PATINO AND FORTUN SUAREZ, LEADERS OF THIS CELL, WHILE INFORMING PUBLIC THAT NO MEMBERS OF JEOTERO CALDERON" CELL ARE PARTICIPATING IN NEW CABINET . BREWIN

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